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Panels Weigh in With Deficit-Reduction Plans

House and Senate Budget committees will meet this week to package the deficit-reduction recommendations of other committees into an omnibus reconciliation bill. The House panel meets today; the Senate committee will meet later this week. Floor action is expected next week.

President Reagan has predicted that Congress will defeat the measure. If it does reach the White House, approximately \$12 billion in net tax increases will make the bill veto bait.

"If Congress should actually pass a tax hike, my answer will be simply this: 'Veto,'" Reagan said.

Congressional approval is also far from certain: Many Republicans are against any tax increases, and some provisions of the measure could draw Democratic opposition.

The \$23 billion deficit-reduction bill is an alternative to automatic spending cuts, known as "sequestration," that will take effect Nov. 20 if Congress and the president are unable to agree on savings.

Across-the-board cuts would reduce spending for domestic programs by about 9 percent and for non-personnel defense spending by more than 10 percent.

Committee Recommendations

During the past three months, nine committees on each side of Capitol Hill have developed recommendations for their share of deficit-reductions outlined in the budget resolution (H Con Res 93).

Panel members — grumbling about the unrealistic demands of the budget act and the inflexible "scorekeeping" of the Budget panels and the Congressional Budget Office — met their targets in a variety of creative ways.

Congressional cost-cutting moves have traditionally included healthy doses of what cynics call "smoke and mirrors." But this year's reliance on phony paper savings appears particularly egregious to some. One observer was overheard to complain: "They've created so much smoke that they don't even need the mirrors."

The package also will include some provisions that have nothing to do with deficit reduction and others that actually increase the deficit.

Here are some of the highlights of committee recommendations:

New Taxes.

- The House Ways and Means Committee approved about \$14.3 billion in new taxes, including: A three-year extension of the telephone excise tax,

limitations on interest deductions for large mortgages and large home equity loans, a freeze on gift and estate tax rates, "corporate raider" taxes on hostile takeovers, changes in the corporate estimated and minimum tax rules, new user fees for the Internal Revenue Service (IRS), Customs Office, and the Bureau of Alcohol, Tobacco and Firearms (BATF), increased premiums for the Pension Benefit Guaranty Corporation (PBGC) and unemployment taxes on tips.

- The Senate Finance Committee approved about \$13.2 billion in new taxes, including: Higher Medicare taxes for workers who earn more than \$43,800 annually, user fees for the IRS, Customs and BATF, the telephone excise tax extension, increased PBGC premiums, the freeze on gift and estate taxes, and a change in corporate estimated tax payments.

Medicare.

- House Ways and Means and Senate Finance voted to restrict Medicare payments to hospitals and physicians. Coupled with other changes, Medicare savings will total about \$1.5 billion in fiscal 1988.

- Senate Finance voted to include state and local government workers in the Medicare system. The increased payroll tax revenues would total about \$2.2 billion.

Spending Cuts/User Fees.

- The Senate Energy Committee approved a substantial overhaul of the nation's nuclear waste disposal program that reduces site-selection work on a permanent disposal site. Savings: \$634 million over three years.

- The House Post Office Committee voted to require federal agencies to absorb 65 percent of scheduled employee pay increases within their budgets. Savings over three years: \$5.2 billion.

- The House Energy and Interior committees approved different proposals that would allow the Nuclear Regulatory Commission (NRC) to charge utilities more for its services, thus reducing appropriations for the NRC.

- The Senate Environment Committee approved \$40 million in Environmental Protection Agency user fees.

- The House Interior and Senate Energy committees okayed changes in the onshore oil and gas leasing system. Increased revenues are estimated to be in the range of \$10 million-\$20 million annually.

'Creative' Cutting

- The House Merchant Marine Committee approved "cruiser fees" of at

least \$250,000 for every vessel escorted through the Persian Gulf by the U.S. military. Savings claimed: At least \$95 million in fiscal 1988.

- The House Agriculture Committee voted to shift about \$1.2 billion in farmers' income subsidy payments from the beginning of the crop year into the next fiscal year. Farmers' total payments would remain unchanged.

- The House and Senate Agriculture panels also recommended that frozen pizza labels clearly state if imitation cheese were used. Presumably, consumers would ask for real cheese in their pizzas, which would increase demand and reduce government purchases of excess cheese. Savings claimed: \$13 million in fiscal 1988.

- The Senate Energy Committee voted to make funds now automatically provided for a national forest in Alaska subject to annual approval by the Appropriations panel. The move allows the committee to claim savings of \$95 million over the next three years. No money will actually be saved, however, because the Appropriations Committee will provide the money anyway.

- In a maneuver similar to the Alaska forest ploy, the Senate Energy panel was credited with saving \$104 million by not earmarking certain national park entrance fees for use in the park where the fees were collected. The money will be appropriated, but not necessarily for the same park.

Unrelated Provisions.

- The House Ways and Means panel incorporated a massive overhaul of the nation's welfare system (HR 1720). The measure calls for establishment of state education and training programs to place welfare recipients in private sector jobs.

- The Senate Finance Committee included legislation (S 1774) establishing a "taxpayers' bill of rights" to protect taxpayers against IRS excesses.

New Spending.

- The Ways and Means panel approved dozens of relatively minor changes in the tax code that would cost the Treasury about \$2.3 billion. Among the changes are breaks for owners of ships and offshore oil rigs, college sports boosters, freelance writers, rural postal workers and large chicken farmers.

- Senate Finance members approved changes that would cost the Treasury about \$1.6 billion.

- The House Energy Committee approved a compensation plan for children injured by mandatory vaccines.

by Brian Nutton